

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 ERDA-05

DODE-00 FEAE-00 FPC-01 H-01 INT-05 L-03 PM-04 OES-06

ACDA-07 /109 W

-----011257 089716/46

R 010932Z MAR 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9502

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

USDOC

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E.O. 11652: N/A

TAGS: ENRG, ID

SUBJECT: PERTAMINA'S 1977 BUDGET

1. LOCAL DAILIES OF FEBRUARY 28 REPORT THAT PERTAMINA'S 1977 OPERATING BUDGET HAS BEEN SET AT \$2.9 BILLION. BUDGET WAS GIVEN FINAL APPROVAL LAST SATURDAY AT PALACE MEETING INVOLVING PRESIDENT SUHARTO, MINISTERS WIDJOJO AND SADLI, PLUS PERTAMINA'S PRESIDENT DIRECTOR HARYONO. PARTICIPATION OF WIDJOJO GIVES VISIBLE EVIDENCE OF ROLE HE IS PLAYING IN ALL ASPECTS INDONESIA'S PETROLEUM SECTOR.

2. ANNOUNCEMENT IS BEING PLAYED UP IN PRESS AS FIRST TIME IN PERTAMINA'S TWENTY YEAR HISTORY THAT THE COMPANY WILL OPERATE ON BASIS OF FIXED BUDGET. DURING IBNU ERA, BUDGETS

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WERE LOOSE COLLECTION OF SPENDING GOALS COMPILED BY EACH OPERATING DIRECTORATE. PERTAMINA'S BUDGET IS EQUIVALENT TO ABOUT 28 PERCENT TOTAL GOI 1977/78 STATE BUDGET. ACCORDING TO HARYONO, BULK OF PERTAMINA'S SPENDING IS EARMARKED FOR DOMESTIC SUPPLIES, PRINCIPALLY FOR PURCHASE AND DISTRIBUTION OF REFINED PRODUCTS THROUGHOUT INDONESIA.

3. NEW BUDGET COMPARES WITH \$2.1 BILLION WORTH OF "COSTS AND EXPENSES" CONTAINED IN PERTAMINA'S UNOFFICIAL 1975 FINANCIAL REPORT. CONSPICUOUSLY ABSENT FROM PRESS REPORTS IS ANY DISCUSSION ABOUT PERTAMINA REVENUES, OR AMOUNT OF DIRECT GOVERNMENT SUBSIDIES, IF ANY. IN 1975, PERTAMINA SUFFERED NET INCOME LOSSES OF OVER \$300 MILLION WHICH MIGHT HAVE BEEN EVEN HIGHER EXCEPT FOR RETROACTIVE CHANGE IN ACCOUNTING PROCEDURES FOR VALUATION OF INVENTORIES. BUDGET FOR 1977 TAKES INTO ACCOUNT PERTAMINA'S LONG-TERM DEBT PROFILE, TANKER TIME-CHARTER LEASE OBLIGATIONS (WHICH HAVE BEEN REDUCED THROUGH RECENT NEGOTIATED SETTLEMENTS WITH SHIPOWNERS) AND DEBT DUE BANK OF INDONESIA. (LONG-TERM DEBT INCLUDES JAPANESE LNG LOANS, CILACAP REFINERY, KALIMANTAN FERTILIZER PLANT, JAVA PIPELINE PLUS OTHER PROJECT LOANS.)

4. COMMENT: LARGEST SINGLE SLICE OF BUDGET, AS MUCH AS TWENTY PERCENT (ROUGHLY \$600 MILLION), WILL PROBABLY GO FOR PURCHASE OF CRUDE OIL AND REFINED PRODUCTS (BOTH DOMESTIC AND FOREIGN) NECESSARY TO SATISFY DOMESTIC CONSUMPTION. EXPLORATION ACTIVITIES WILL RECEIVE LITTLE COMPARED WITH ADMINISTRATIVE, PRODUCTION AND REFINERY COSTS. NEW BUDGET REPRESENTS TANGIBLE PROOF OF CONTINUING EFFORTS TO PUT PERTAMINA'S FINANCIAL HOUSE BACK IN ORDER. END COMMENT.
NEWSOM

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Disposition Approved on Date:
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Disposition Remarks:
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